

INVESTIGATIVE AUDIT REPORT

BRIDGES, USA, INCORPORATED

NOVEMBER 1, 2002, THROUGH APRIL 30, 2003



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit
Division of Municipal Audit



STATE OF TENNESSEE

John G. Morgan

C O M P T R O L L E R O F T H E T R E A S U R Y

Comptroller

STATE CAPITOL

NASHVILLE, TENNESSEE 37243-0260

PHONE (615) 741-2501

April 6, 2004

Chairman and Members of the
Board of Trustees
Bridges, USA, Inc.
314 South Goodlett
Memphis, TN 38117

Ladies and Gentlemen:

Presented herewith is the report on our investigative audit of the records of Bridges, USA, Inc. This examination focused on the period November 1, 2002, through April 30, 2003. However, when the examination warranted, this scope was expanded. This audit was performed in conjunction with the Memphis Police Department.

The Comptroller has prescribed a minimum system of recordkeeping for nonprofit agencies, which is detailed in the *Accounting and Financial Reporting for Not-For-Profit Recipients of Grant Funds in Tennessee*. The purpose of our examination was to determine the extent of the entity's compliance with certain laws and regulations, including those in the above-mentioned manual.

Our investigative audit revealed that during the period November 1, 2002, through April 30, 2003, the former controller used several methods to obtain or use agency money for his own benefit without authority and for which he was not entitled. The loss to the agency totaled \$19,970.97. The December session of the Shelby County Grand Jury indicted the former controller for theft of property over \$10,000.

Chairman and Members of the
Board of Trustees
Bridges, USA, Inc.
April 6, 2004

Copies of this report are being forwarded to Governor Phil Bredesen, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office.

Very truly yours,

John G. Morgan
Comptroller of the Treasury



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT**

John G. Morgan
Comptroller of the Treasury

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JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0271
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Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

April 6, 2004

Mr. John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, TN 37243-0260

Dear Mr. Morgan:

As part of our on-going process of examining the records of nonprofit organizations, we have completed our investigative audit of the records of Bridges, USA, Inc. This examination focused on the period November 1, 2002, through April 30, 2003. However, when the examination warranted, this scope was expanded. This audit was performed in conjunction with the Memphis Police Department.

The Comptroller has prescribed a minimum system of recordkeeping for nonprofit organizations, which is detailed in the *Accounting and Financial Reporting for Not-For-Profit Recipients of Grant Funds in Tennessee*. The purpose of our examination was to determine the extent of the entity's compliance with certain laws and regulations, including those in the above-mentioned manual.

Our investigative audit revealed that during the period November 1, 2002, through April 30, 2003, the former controller used several methods to obtain or use agency money for his own benefit without authority and for which he was not entitled. The loss to the agency totaled \$19,970.97. The December session of the Shelby County Grand Jury indicted the former controller for theft of property over \$10,000.

Mr. John G. Morgan
Comptroller of the Treasury
April 6, 2004

Copies of this report are being forwarded to Governor Phil Bredesen, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office.

Sincerely,

Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

**INVESTIGATIVE AUDIT OF THE RECORDS OF
BRIDGES, USA, INCORPORATED
FOR THE PERIOD NOVEMBER 1, 2002, THROUGH APRIL 30, 2003**

LEGAL ISSUE

1. **ISSUE:** **Apparent embezzlement**

Our investigative audit revealed that during the period November 1, 2002, through April 30, 2003, the former controller used several methods to obtain or use agency money for his own benefit without authority and for which he was not entitled. The loss to the agency totaled \$19,970.97.

- The former controller apparently issued six checks totaling \$5,903.21 payable to himself without authority and for which he was not entitled. The operations director is authorized to sign agency checks. However, the operations director identified these six checks that contain his name as a signature but which he did not make or authorize to be made.
- The former controller apparently issued four checks totaling \$7,052.77 in payment of his personal American Express account without authority. The operations director identified three of these checks that contained his name as a signature but which he did not make or authorize to be made.
- The former controller was responsible for maintaining and accounting for a petty cash fund. Employees were required to provide written documentation and invoices, if available, for all disbursements from this fund. The former controller was to reconcile his cash on hand with the accumulated documentation prior to requesting additional funds. However, our reconciliation of the petty cash fund revealed a shortage of \$6,894.99.
- Finally, the former controller apparently gave himself an unauthorized loan of \$120 from the petty cash fund. The loan was never repaid.

Scheme	Amount
Unauthorized checks written to former controller	\$ 5,903.21
Checks issued in payment of former controller's personal American Express bill	7,052.77
Unaccounted for petty cash	6,894.99
Unapproved personal loan from petty cash	<u>120.00</u>
Total	<u>\$19,970.97</u>

The former controller acknowledged to agency officials his responsibility for at least some of the discrepancies listed in this audit.

The December session of the Shelby County Grand Jury indicted the former controller for theft of property over \$10,000.

GLOSSARY OF STATE STATUTES

Section 39-14-103, *Tennessee Code Annotated*

Theft of property.

A person commits theft of property if, with intent to deprive the owner of property, the person knowingly obtains or exercises control over the property without the owner's effective consent.

Section 39-14-105, *Tennessee Code Annotated*

Grading of theft.

Theft of property or services is . . .

(4) A Class C felony if the value of the property or services obtained is ten thousand dollars (\$10,000) or more but less than sixty thousand dollars (\$60,000). . . .